International Journal of All Research Education and Scientific Methods (IJARESM),
ISSN: 2455-6211, Volume 13, Issue 5, May-2025, Available online at: www.ijaresm.com

Covid-19 and India's Economy: Challenges, Resilience, and the Road to Recovery

Twinkle

Assistant Professor, Khalsa Institute of Management & Technology for Women, Civil Lines, LDH

----------**********----------

ABSTRACT

The COVID-19 pandemic has emerged as one of the most significant global crises since World War II, with its repercussions felt across every facet of human life Besides presenting an unparalleled public health emergency, it has disrupted global economic systems, testing the resilience of political and financial institutions. India, like most nations, has encountered severe economic shocks due to prolonged lockdowns, disrupted supply chains, and declining consumer demand.With the prolonged nation-wide lockdown, disrupted demand&supply chains the economy has run into the economic downturnInthese harsh times the nation looks towards the executive authorities, ruling political leaders. Prime Minister Narendra Modi's response to COVID-19 has been somewhat mixed, imposing timely lockdown, not making the mistake of Britain's Boris Johnson and US' Donald Trump which shows a proactive approach. Several reports now claim that the global economy is now at risk and the recession is now inevitable. Unlike the financial crisis of 2007-08, it'sa health crisis, which has given birth to economic shock.In this paper we assess the potential impact of the shock on the economy, take note of projected economic status of Indiaand analyse the policies that have been announced so far by the central government and the Reserve Bank of India.

Keywords: COVID-19, Coronavirus, Economic Shock, Impact, Government Measures RBI

INTRODUCTION

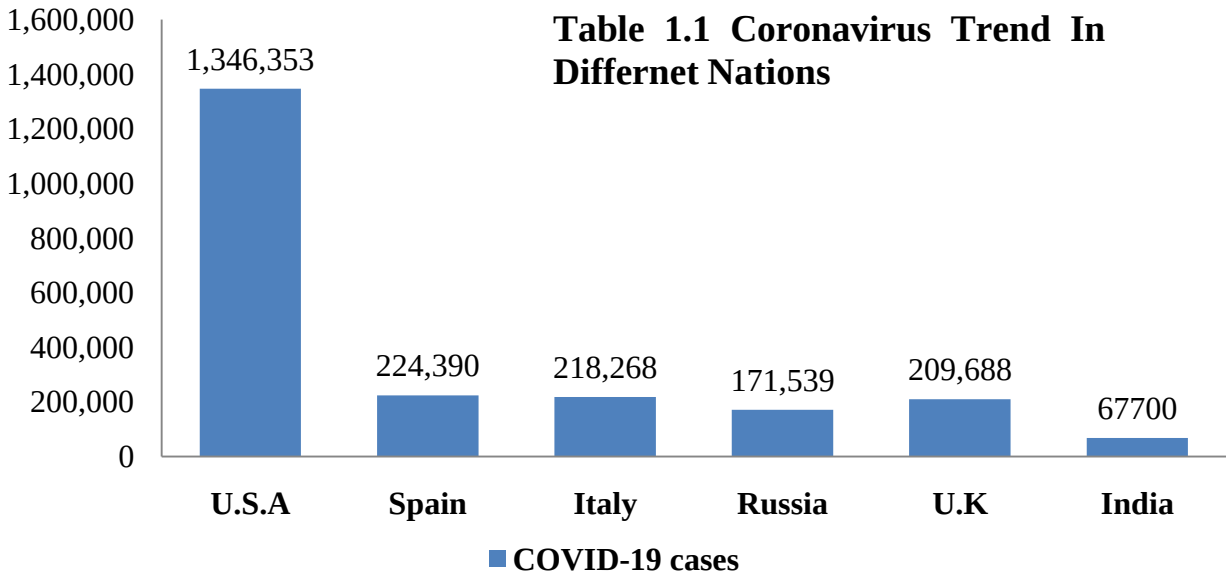
The outbreak of the novel coronavirus (COVID-19), first identified in Wuhan, Hubei province of China, has emerged as the most severe global crisis since World War II. Acting as both a public health emergency and an economic disruptor, the pandemic has inflicted unprecedented damage worldwide. Due to its highly contagious nature and the initial lack of a vaccine or effective treatment, countries were compelled to implement preventive strategies such as social distancing, self-isolation, suspension of public services, closure of educational and industrial establishments, and even nationwide lockdowns. These measures, though essential for containing the virus, triggered widespread economic shocks and have significantly contributed to a global recession.

While India's Ministry of Health and medical experts focused on managing the spread and finding treatment solutions, it became evident that the implications of the virus would extend far beyond the health sector. The economic, social, and institutional disruptions caused by the pandemic are expected to have lasting consequences.

Historically, humanity has faced several major health emergencies, including the 1918 Spanish Flu, the HIV/AIDS pandemic, and regional outbreaks of diseases such as SARS, MERS, and Ebola. India, in particular, has previously dealt with epidemics like smallpox, plague, and polio. While each of these posed serious threats, the scale and global spread of COVID-19—beginning in December 2019 and swiftly reaching nearly every country—mark it as potentially the most significant public health challenge in modern history. Several analysts have described the pandemic as a "Black Swan" event due to its unpredictability and far-reaching impact on the global economy.

India reported its first confirmed case of COVID-19 on January 30, 2020. Since then, the number of infections has escalated rapidly. As of mid-May 2020, the country had recorded approximately 67,700 cases and 2,213 fatalities. Compared to nations like the United States (1,346,353 cases), Spain (224,390), Italy (218,268), Germany (171,539), Russia (209,688), and the United Kingdom (215,260), India's numbers appeared relatively low at that time.

Nevertheless, the evolving nature of the pandemic posed ongoing challenges for public health management and economic stability alike.



Source: https://www.worldometers.info/coronavirus/

India responded quickly to the COVID-19 pandemic by enforcing strict measures early on. Prime Minister Narendra Modi recognized the seriousness of the crisis, initiating steps like the Janata Curfew on March 22 and forming a financial task force to address the economic fallout. A nationwide lockdown was implemented from March 25, 2020, halting all non-essential services, transport, and public activities. Though initially planned for three weeks, the lockdown was extended multiple times due to rising cases.

These restrictions, while necessary for public health, caused significant economic disruption. The lockdown hit informal workers and daily wage earners the hardest, leaving millions without jobs. Migrant labourers were stranded or forced to return to rural areas, as transportation and state borders were shut. Supply chains collapsed, consumer demand fell sharply, and trade slowed, creating a severe economic downturn.

India's already strained healthcare system—with low doctor-to-patient and bed-to-patient ratios—struggled to manage the crisis, especially in rural areas. The Confederation of Indian Industry (CII) warned that it could take six months or more to restore economic normalcy. With only 1.5% of GDP allocated to public health, India faces additional challenges in managing such crises.

The Asian Development Bank initially estimated India's losses at $29.9 billion, but later projections suggested the lockdown alone could cost up to $120 billion—around 4% of GDP. The economic recovery is expected to be slow and extend into 2021, with policy measures from the Reserve Bank of India and the Finance Ministry playing a crucial role in mitigating long-term damage.

This paper will analyse the economic impact of COVID-19 across sectors in India and evaluate the government's financial and policy responses.

REVIEW OF LITERATURE

Kumar S et.al (2020) analysed the impact of COVID-19 on Indian economy and various sectors such as automotive, chemical, poultry, world trade and electric products. World trade is going to severely hit by the disruption in Chinas manufacturing. Around 20% declines have been noticed in chemical industry and 8-10 % decline in automotive industry. China being India's largest source of import since 2004-05, with 13.7 % share in 2018-19 total imports, any

disruption in Chinese economy can disrupt these imports and hence both production processes and supply of consumer goods in India.

Dev M.S. Sengupta R. (2020) assessed the covid-19 impact on Indian economy by analysing the pre covid-19 state of economy and various effects on segment and the policies of Indian finance ministry and RBI. With regard to India's lack of medical facilities virus is surely going to haunt Indian economy for a long time. They have also appreciated the early measures taken by the central as well as the state government. They further state that policy makers need to be prepared to scale up the response as the events unfold so as to minimise the impact of the shock on both the formal and informal sectors.

Ozili P. Arun T. (2020) analysed the coronavirus outbreak and spill over to the global economy which further added to global recession in 2020. They state the measures taken to contain the virus such as lockdowns are hurting the economy through reduction in general economic activities and through it negative effect on stock prices. The government of various nations being under a tremendous pressure of COVID -19 made fast polices which will have far reaching positive and negative effects on global economy.

Tang T. Tsai S. (2020) Peng yuanchina's credit rating agency hasstated that impact of covid-19 on global economy is high and prolonged. With more restriction on the trade the Chinese economy is going to contract. Chinas GDP which was projected at increase of at 3.1% is cut to base line of 1.5-2.0 %.

Johnson C. H. et.al (2020) has focussed on potential scenario's to emerge before the European economic areas and European Union. They state that the COVID -19 is rapidly growing and the country need some drastic policy measures Public health bodies and research institutions should continue to work together to continuously evaluate the situation, to address knowledge gaps and to assess the effectiveness of targeted interventions with new tests, treatments and vaccines as they are developed.

Objectives of the Research

- To examine the projected economic outlook for India as forecasted by leading financial institutions.
- To evaluate the impact of the COVID-19 pandemic on key sectors of the Indian economy.
- To assess the fiscal and monetary policies introduced by the Ministry of Finance and the Reserve Bank of India in response to the crisis.

RESEARCH DESIGN

4.1 Nature of the Study

The present study adopts a descriptive approach, aiming to outline and understand the impact of COVID-19 on the Indian economy.

4.2 Sources of Data Collection

This study is based on secondary data gathered from a range of sources, including news articles, online publications such as blogs, reports from credit rating agencies, and academic research studies.

4.3 Tools Used

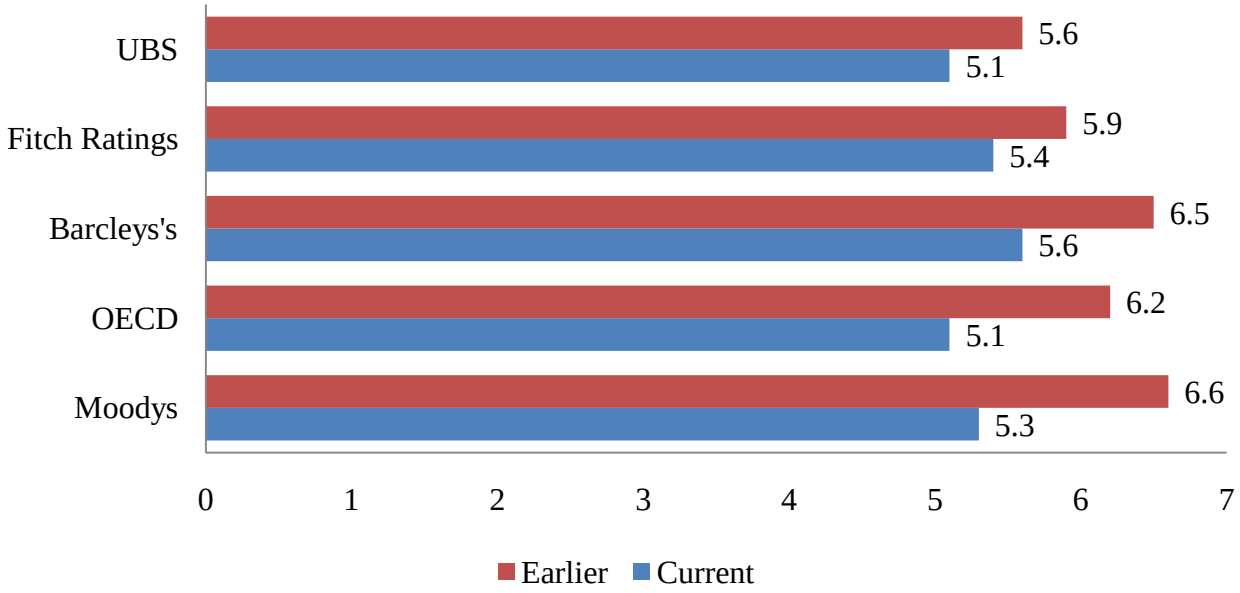
All the data have been compiled in the form of tables and graphs using MS Excel.

DATA ANALYSIS

5.1 Projection for the Indian Economy

Major financial institutions and organizations, including Moody's, Barclays, UBS, Fitch Ratings, and the Organisation for Economic Co-operation and Development (OECD), have released their economic projections for the year 2020.

Table 5.1.1 Projection by Major Financial Service Institutions

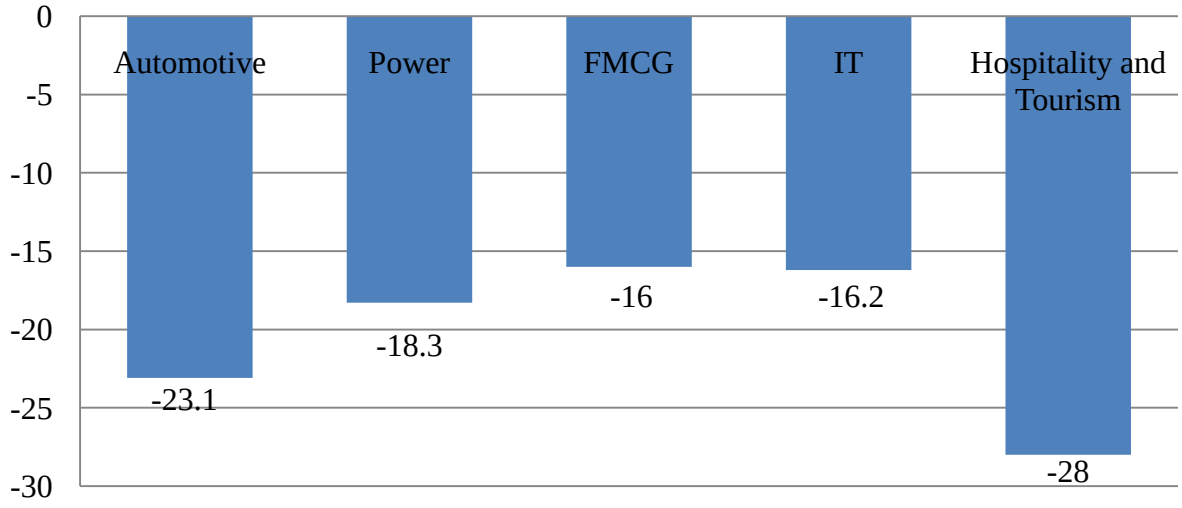


Source: http://www.mospi.gov.in/download-reports

As illustrated in Chart 5.1.1, a comparison between earlier and updated projections reveals that major financial institutions have revised India's growth estimates downward by 0.5 to 1.5 percentage points. This adjustment reflects the growing impact of the pandemic and indicates that India is moving toward an economic slowdown.

Impact on Major Sectors

Table 5.2.1 Impact On Major Sectors.



Source: http://www.mospi.gov.in

The table above highlights a significant decline in growth rates due to disrupted international trade.

- **Automotive Sector:** India relies moderately on China for auto components, with about 18% of such imports and nearly 30% of tire imports coming from China. When including other vehicle segments like buses and commercial vehicles, 20–25% of auto imports originate from China. Supply chain disruptions and trade restrictions are expected to cause a 23.1% decline in the Indian auto industry, as illustrated in Chart 5.2.1. Additionally, auto dealerships are under severe financial pressure, with many approaching shutdown.

- **Power Sector:** The power industry faces an 18.3% drop in growth, primarily due to nationwide lockdown measures that restricted movement and halted many operations. Electricity consumption fell by 19%, coal-based power generation declined by 26%, and petroleum product consumption dropped by 18%. Meanwhile, India's Central Pollution Control Board reported that 78% of cities experienced good to satisfactory air quality during the lockdown.
- **Fast-Moving Consumer Goods (FMCG):** The sudden, unplanned lockdown triggered panic buying, causing a surge in demand for essentials such as groceries, medicines, sanitizers, and hygiene products. However, extended lockdowns and ongoing supply chain disruptions have slowed production growth in this sector.
- **Media and IT Sector:** These sectors have seen a 16% revenue decline due to reduced advertising and subscription income amid the slowdown.
- **Tourism and Hospitality:** This sector, which contributes over US$250 billion—about 10% of India's GDP—has been hit hard, with revenues falling by approximately 28% compared to the previous year. The lockdown, initially set for 21 days and extended further, has halted all business and leisure travel, hotel stays, weddings, and conferences. The hospitality industry faces widespread layoffs, particularly in restaurants, as fear, labour shortages, and dried-up cash flows force many small and mid-sized businesses to struggle with fixed costs.

Policies Announce by Indian Government and RBI

MONETARY STIMULUS

- The central government had introduced several relief measures, including working capital support, loan restructuring, modifications in credit terms, and stimulus packages aimed at boosting consumer spending.
- The Finance Ministry announced an immediate disbursement of Rs. 18,000 crore in tax refunds to individuals and businesses.
- Under the PM-KISAN scheme, over 6 crore farmers have benefited, with Rs. 13,855 crore released as the first instalment.
- Finance Minister Nirmala Sitharaman unveiled a relief package worth Rs. 1.70 lakh crore to address the economic challenges posed by COVID-19.
- Various state governments have rolled out relief programs targeting vulnerable populations through direct benefit transfers (DBT).
- On May 12, 2020, Prime Minister Narendra Modi announced a major economic stimulus package of Rs. 20 lakh crores, focusing on labourers, farmers, and the welfare of migrant workers.
- **Cut in policy/fiscal rates**
- The Reserve Bank of India (RBI) reduced the repo rate by 25 basis points, bringing it down to 3.75%. This move encourages banks to avoid holding excess funds idle and instead extend more credit to businesses and individuals, ensuring adequate liquidity in the economy.

- Following the RBI's lead, several public and private sector banks have lowered their lending rates, further enhancing liquidity for both companies and consumers.

CONCLUSION

India's response to COVID-19 has been mixed. Early lockdowns and closures helped slow the virus's spread initially, yet cases continue to rise steadily. While Prime Minister Narendra Modi acted promptly by imposing lockdowns, challenges remain—such as the inadequate supply of protective equipment for healthcare workers—highlighting the country's lack of preparedness for such a crisis.

The lockdown has severely impacted the economy, with the middle and lower-income groups bearing the brunt. Disruptions in global supply chains and distribution networks have created long-lasting challenges with little immediate relief in sight. Sectors like tourism, hospitality, and aviation have been particularly devastated, facing unprecedented downturns.

Public fear and uncertainty have caused consumer confidence to plummet, leading many to delay purchases. On the supply side, factory shutdowns and delays in imports, especially from China, have disrupted Indian manufacturing. Industries such as automobiles, pharmaceuticals, electronics, and chemicals are experiencing critical shortages of raw materials and components.

Decisive and coordinated leadership is what have helped us to cope with economic turmoil. Effective collaboration between the central and state governments and implement policies efficiently and to address both the health crisis and its economic fallout.

REFERENCES

- Dev S. M and Sengupta R (April, 2020): "Covid-19: Impact on the Indian Economy" Indira Gandhi Institute of Development Research, Mumbai, http://www.igidr.ac.in/pdf/publication/WP-2020-013.pdf
- Johnson. C H, Gossner C. M, Edoardo C, Kinsman John (March, 2020); "Potential scenarios for the progression of a COVID-19 epidemic in the European Union and the European Economic Area"; www.eurosurveillance.org, Pg no. 1-4.
- Kumar S, Thombare P B & Kale (April, 2020): "Impact of coronavirus (COVID-19) on Indian economy"; AGRICULTURE & FOOD: E-Newsletter, www.Agrifoodmagazine.Co.In ,Vol. 2 – Issue 4, pg. no. 301-302.
- Ozili, P. and Thankom, A. (April, 2020): "Spill over of COVID-19: impact on the Global Economy"; https://mpra.ub.uni-muenchen.de/99850/, MPRA Paper No. 99850.
- Tang T. Tsai S. (April, 2020): "COVID-19's Impact May be More Profound and Prolonged than Expected" Peng yuan Credit Rating" Pg no. 1-3.

WEBSITE LINKS

[1]. https://economictimes.indiatimes.com/blogs/et-commentary/covid-19-new-normal-and-india/
[2]. https://www.fpri.org/article/2020/03/covid-19-crisis-political-and-economic-aftershocks/
[3]. https://www.thehindu.com/opinion/lead/the-spectre-of-a-post-covid-19-world/article31252172.ece
[4]. http://www.mospi.gov.in/
[5]. https://www.worldometers.info/coronavirus/
[6]. https://wap.business-standard.com/article-amp/current-affairs/coronavirus-live-updates-india-covid-19-global-cases-death-toll-economic-package-lockdown-4-usa-maharashtra-delhi-corona-latest-news-120051300100_1.html